

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7216

BILL NUMBER: SB 459

NOTE PREPARED: Feb 0, 2013

BILL AMENDED:

SUBJECT: Local Government Reorganization.

FIRST AUTHOR: Sen. Miller Pete

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Cumulative Firefighting Building and Equipment Fund: It provides that in the case of a reorganization under the government modernization statutes that includes a township and another political subdivision, the rate-controlled property taxes imposed by the reorganized political subdivision for a cumulative firefighting building and equipment fund remain outside of the property tax levy limits.

Township Assistance: The bill provides that in the case of a reorganization that includes a township and one or more municipalities in the township, but does not include all municipalities within the township:

- (1) the township's powers and duties concerning township assistance are transferred to the county; and
- (2) the county fiscal body shall impose a uniform tax rate throughout the entire township that is sufficient to meet the estimated cost of township assistance in the township.

Fire-Related and Emergency Borrowing Repayment: The bill specifies that the following apply in the case of a reorganization that includes a township and another political subdivision:

- (1) If the township borrowed money from a township fund to pay the operating expenses of the township fire department or a volunteer fire department before the reorganization, the reorganized political subdivision may repay the loan in installments during the following five years.
- (2) If the township borrowed money to meet an emergency or to meet the township's current expenses, the fiscal body of the reorganized political subdivision may renew the loan for a

period not to exceed five years.

Effective Date: Upon passage.

Explanation of State Expenditures: Department of Local Government Finance: DLGF may incur additional cost to adjust the maximum permissible property tax levies and property tax rates of units to reflect transfers of duties and responsibilities and to review balances in township funds and determine if an excess balance exists. The bill's requirements are within the DLGF's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Summary of NET Local Impact: The bill will have indeterminate fiscal impact in the case of a local government reorganization for a township and another political subdivision or municipality. The bill may allow for more reorganizations with townships by making provisions for fire services funding and to pay off of certain debts. To the extent that a reorganization provides efficiency, facilitating a reorganization for townships could reduce costs. However, in providing for fire services funding and debt payoff, the bill may allow for continuation of certain costs in the near term.

For township assistance, administrative processes transfer to the county, which would have the authority to levy for its costs in the territory of the township. If the maximum levy is insufficient to provide for the direct and administrative costs of township assistance, the county may have to borrow funds or may incur additional costs.

Explanation of Local Expenditures: *Township Assistance:* The county may incur additional costs to provide township assistance in certain reorganized townships. The cost of providing township assistance is to be paid through a levy in the reorganized township. However, if the maximum levy available to pay for township assistance is insufficient to pay for all administrative costs incurred by the county, some of the township assistance costs will transfer to the county. (See *Explanation of Local Revenues* below.)

Background: Under the bill, the county would perform all of the township assistance duties to the standards specified in the proposed statute. The county executive would appoint a county trustee to administer township assistance throughout the township, and would estimate the amount needed to meet the cost of township assistance in the reorganized township. Additionally, if the township assistance fund appears to be exhausted before the end of the year, the county executive would petition the DLGF for permission to borrow money on a short term basis.

There are 135 townships that contain more than one municipality to which the bill would apply. The following table shows the number of townships containing each multiple of municipalities.

Number of Municipalities	Number of Townships
2	104
3	20
4	6
5	4
6	1

Explanation of Local Revenues: *Township Assistance Levy:* The county's maximum property tax levy would not include any levy to pay for township assistance in a reorganized township. Instead the county's maximum levy for township assistance will be the result of the total amount of property tax imposed for township assistance by the township in the year before the reorganization multiplied by the assessed value growth quotient. If a township's prior year levy was insufficient or the average growth quotient does not provide for the growth in township assistance, the county could have insufficient funds for township assistance.

Cumulative Firefighting Building and Equipment Fund and Fire-Related and Emergency Borrowing Repayment: The bill will have indeterminate fiscal impact on a reorganized township, but it potentially increases the levy limit for fire-related expense and increase the term of repayment for fire-related or emergency debt.

Background: Under current law, the legislative body of a township may levy a tax with a tax rate not exceed to exceed \$0.0333 on each \$100 of assessed valuation of property in the taxing district. The limit imposed on this levy would not apply to the taxes imposed by a reorganized township.

State Agencies Affected:

Local Agencies Affected: Township reorganizations.

Information Sources:

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